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United States Senate
WASHINGTON, DC 20510-3703
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Mr. Steven Rattner
Counselor to the Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW, Room 3134
Washington, DC 20220

Dear Mr. Rattner,

As you and the Automobile Task Force work to revitalize the automobile industry, it is critically important that you are aware of the consequences which some of the manufacturers' recently announced decisions are having in communities throughout Oregon and the country. It is my hope that after reviewing this issue you will urge the manufacturers to reevaluate some or all of the relevant decisions and to develop alternatives which eliminate or minimize those negative consequences.

Franchise Terminations

As you know, Chrysler LLC recently notified 789 of its distributors that their franchise agreements were being unilaterally terminated and that the distributors must pay for all inventory and close any outstanding accounts by June 9, 2009. At just one of the six terminated Chrysler dealers in Oregon, this will mean the immediate layoff of 72 hard-working Oregonians. While this in and of itself is alarming, it appears to be just the latest in a series of actions the manufacturers have implemented to bolster their own books at the expense of their distributors.

Flooring Loans

It has been brought to my attention that Chrysler and GM are in the process of abrogating longstanding financial arrangements called flooring loans, which allow their dealers to showcase Chrysler and GM inventory at a reasonable cost, and which are then repaid when the cars are sold to the customer. These loans are one of the foundations upon which the American dealer network depends, and the haste and terms by which this foundation is being undermined have left many questioning the manufacturers' motives. Moreover, since these loans are being withdrawn at a time when credit markets are seriously constrained, many dealers have been forced to sign personal guarantees just to maintain their inventory and stay in business. Now, with the recently announced dealer terminations, Chrysler is not only denying these businesses the ability to sell their products into the future, it is, in effect, forcing them to "fire-sale" their existing inventory by June 9. This forced liquidation is likely to dramatically reduce or even eliminate profit margins for all Chrysler dealerships, terminated or not, and weaken a sector that can ill afford it.

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Even worse, dealers who have committed substantial financial resources to building parts and service departments are also having those future business opportunities foreclosed. For instance, Timberline Chrysler of Portland, Oregon, has over \$4 million in parts inventory which Chrysler, by terminating their franchise, is now forcing them to sell off.

As many Chrysler dealers are now personally liable for their inventory as a result of the withdrawal of the flooring loans, Chrysler now appears to be poised to acquire the dealerships, their remaining auto and parts inventory and the owners' personal assets. Since Chrysler benefits from federal bankruptcy court protection and taxpayer support via TARP, I believe this issue warrants further inquiry.

Manufacturing Displacement

It is my understanding that Chrysler's financial restructuring will mean a significant reduction in production capacity for Chrysler to align itself with projected product demand. While this new-found interest in efficiency is to be commended, I am concerned when I read news accounts which report that Chrysler plans to shutter new, efficient facilities in the U. S. while purchasing or expanding facilities in countries with lower wages and environmental standards. As a strong proponent of free and fair trade, I understand the need to increase efficiencies and streamline costs. However, neither I nor the American people will permit the government to stand by while taxpayer-funded companies close efficient factories and displace skilled workers in order to make up for decades of shortsighted decision-making.

I understand that any corporate restructuring will be painful for those directly involved and that difficult decisions must be made by those charged with the reorganization. However, after reviewing the issue, I have come to believe that these decisions, as applied, are unfair and inconsistent with American values. If fully implemented as proposed, I am concerned that Chrysler will needlessly send thousands to the unemployment line and damage its brand for years to come.

Therefore, in your role as Counselor to the Secretary of the Treasury and the Administration's representative on the Automobile Task Force, I ask you to investigate and determine whether the abovementioned decisions are in the best interests of the American people. If you find they are not, I urge you to use your authority and swiftly act to resolve the issues. Alternatively, if you find that the actions were unavoidable, I ask you to work to convince the manufacturers to give those dealers affected by the decisions more flexible terms with which to settle their accounts.

I would appreciate it if you could keep me informed of your progress on this issue.

Sincerely,

A handwritten signature in black ink that reads "Ron Wyden". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

Ron Wyden
U.S. Senator